

Beal City Public Schools

Mt. Pleasant, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

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Beal City Public Schools
Members of the Board of Education and Administration
June 30, 2008

Members of the Board of Education

Joyce Schafer – President

Terry Hutchinson – Vice President

Kari Rojas – Secretary

Jim Kremsreiter – Treasurer

Frank Fox – Trustee

Robert Pasch – Trustee

Rod Cole – Trustee

Administration

William Chilman – Superintendent

Jeff Jackson – High School Principal

Diane Saltarelli – Elementary Principal

Julie Freeze – Business Manager



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Independent Auditors' Report

To the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beal City Public Schools' management. Our responsibility is to express opinion s on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities , each major fund, and the aggregate remaining fund information of Beal City Public Schools as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2008, on our consideration of the Beal City Public Schools' internal control over financial reporting and on our tests of its provisions of laws, regulations , contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beal City Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
October 1, 2008

ADMINISTRATION 'S DISCUSSION AND ANALYSIS

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Beal City Public Schools (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address financial challenges in the years to come. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basics Financial Statements – and Administration's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2008.

The following is an outline of how this financial report is presented.

Section 3
AD&A

Administration's Discussion And Analysis
(required supplementary information)

Section 4
Basic Financial Statements

Fund Financial Statements
District – Wide Financial Statements
Notes to Financial Statements

Section 5
Supplementary Information

Budgetary Comparison Schedule

Section 6
Other Supplementary Information

Combining Balance Sheets
Combining Statement of Revenues,
Expenditures and Changes in Fund
Balances
Comparative Balance Sheet
Schedule of Revenues
Schedule of Expenses
Fiduciary Fund Statement of Changes
Statement of Bonded Indebtedness
Report on Internal Control Over Financial
Reporting on Compliance and other Matters

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

As noted above, Section 4 contains two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements in accordance with GASB 34.

District Wide Financial Statements

The District wide financial statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the school district's net assets changed during the fiscal year. To be consistent with full accrual basis accounting, all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund statements are reported using the modified accrual method of accounting. Under this method of accounting, revenues are recorded when received or when they are measurable and expenditures are accounted for in the period those goods and services were used to provide school programs. In addition, capital asset purchases are expensed in totality in the year purchased and not recorded as an asset. Debt payments are recorded as expenditures when they are paid and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Project Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived primarily from property taxes, state and federal distributions and grants. The Special Revenue Fund is comprised of Athletic Activities and Food Service. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to record the funding and payment of building construction and major site improvements. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 2,766,534	\$ 2,774,138
Other assets	49,282	53,225
Capital assets	10,732,301	10,786,560
less accumulated depreciation	<u>(3,828,272)</u>	<u>(3,602,577)</u>
Capital Assets, net book value	<u>6,904,029</u>	<u>7,183,983</u>
 Total Assets	 <u><u>\$ 9,719,845</u></u>	 <u><u>\$ 10,011,346</u></u>
Liabilities		
Current liabilities	\$ 896,916	\$ 868,506
Long-term liabilities	<u>6,119,093</u>	<u>6,404,597</u>
 Total Liabilities	 <u><u>\$ 7,016,009</u></u>	 <u><u>\$ 7,273,103</u></u>
Net Assets		
Total capital assets, net of related debt	\$ 1,557,614	\$ 800,530
Restricted for debt service	112,030	94,366
Restricted for grants	94,176	103,981
Unrestricted	<u>940,016</u>	<u>1,739,366</u>
	 <u><u>\$ 2,703,836</u></u>	 <u><u>\$ 2,738,243</u></u>

Summary of Net Assets

As indicated by the statement above, total net assets are \$2,703,836 . Net assets can be separated into the following categories: capital assets net of related debt, restricted for debt service, restricted for grants, and unrestricted assets.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$10,732,301, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$3,828,272. Many capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters and is recorded as a liability in the summary of net assets statement.

Total capital assets net of related debt is \$1,557,614. Total capital assets net of related debt is much higher than previous years. This is due to a change in how the amount is calculated. School Bond Loan Fund long term debt is no longer included as a liability against capital assets net of related debt. Therefore, the increase in capital assets, net of related debt from 2007 to 2008 of \$757,084 is mainly a result of no longer including the school bond loan fund long term debt in the calculation. Assets restricted for debt service are \$112,030 and consist of cash balances in the debt service funds. Assets restricted for grants are \$94,176 and consist of tribal grant dollars awarded by not yet spent. The remaining \$940,016 of net assets is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

Statement of Activities

	<u>2008</u>	<u>2007</u>
Revenues		
Charges for Services	\$222,542	\$210,792
Operating and Capital Grants and Contributions	700,470	831,817
General Revenues	<u>5,280,144</u>	<u>5,316,123</u>
Total Revenue	<u>6,203,156</u>	<u>6,358,732</u>
Expenses		
Instruction	3,570,238	3,525,098
Supporting services	1,855,241	1,834,534
Food services	238,407	232,484
Athletics	306,817	299,837
Community Services	584	3,090
Interest on long-term debt	<u>259,803</u>	<u>258,140</u>
Total expenses	<u>6,231,090</u>	<u>6,153,183</u>
Increase/ Decrease in net assets	<u>(\$ 27,934)</u>	<u>\$ 205,549</u>

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

The total decrease in revenue from 2006/2007 to 2007/2008 for all Governmental Funds including General Fund and Nonmajor Governmental Funds totaled \$222,365. The majority of that decrease was from the General Fund. A number of general fund revenue sources decreased including investment income, grants received and state sources. Investment income decreased by \$19,726 due to the lower interest rate received on investments. Two sources of grant income decreased significantly in the 2007/2008 year. Tribal grants awarded by the local Saginaw Chippewa Indian Tribe decreased by \$114,198. Federal grants also suffered a decrease of \$38,431 largely due to the loss of eligibility for the Small Rural Schools Grant. State resources decreased by \$58,955. Even though the state aid foundation allowance per pupil increased by \$119 it was not enough to compensate for the loss of students. The State Aid Membership for 2007/2008 decreased by 17.07 from 673.23 to 656.16 students.

The total decrease in expenses from 2006/2007 to 2007/2008 for all Governmental Funds including General Fund and Nonmajor Governmental funds was \$107,299. General Fund expenditures decreased by \$58,440 while Non Major Funds decreased by \$48,859. The major reason for the decrease in expenditures from the General Fund is due to a decrease in the spending of tribal grant monies. Spending of tribal grant resources decreased by \$136,004. This significant decrease allowed for increases in other areas of the budget while still showing an overall decrease in expenses. The decrease in Nonmajor Governmental Funds of \$48,859 is primarily the result of bus purchases. Two new buses were purchased in 2006/2007 and only one bus was purchased in 2007/2008.

Revenues

Local revenues are primarily made up of property tax to fund operating expenses and retire debt of previous bond issues. Local revenues also include grant awards from the Saginaw Chippewa Indian Tribe in the amount of \$56,650. Other sources of local revenue include fees and charges for services such as hot lunch, athletic gate receipts, sports participation fees and preschool and driver's education tuition.

State revenues account for the majority of the district's revenues and consist primarily of the per student foundation allowance. State revenues made up 87% of the district's general fund revenues in 2007/2008. This ties the district directly to the overall economy of the State of Michigan.

Federal sources include Title grants and monies for the Food Service Fund.

Interdistrict sources of revenue consist of the County special education tax collected and distributed by the local Intermediate School District.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Property Taxes

A major portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$765,390. This amount was obtained through a combination of two voter approved millage levies totaling 18 mills on the taxable value of non-homestead properties for the District's operation and a voter approved 7 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments of bond issues. The growth of taxable value saw a sharp decline from 2007 to 2008. The decline in the housing market, particularly in the state of Michigan, is the primary cause of the lack in taxable value growth. The increase in the taxable value of individual properties is limited each year to 5% or the rate of inflation, whichever is lower. The increase in taxable value when property transfers ownership is not limited by this provision, therefore; taxable values tend to increase at a greater rate when property is sold.

TAXABLE VALUE HISTORY

YEAR	TAXABLE VALUE	GROWTH
2003	58,007,561	5.83%
2004	61,625,268	6.24%
2005	65,581,691	6.42%
2006	70,627,780	7.69%
2007	75,883,412	7.44%
2008	78,216,273	3.07%

State Aid Foundation Allowance

A significant portion of state funding to the District is received through the foundation allowance. The foundation allowance is funding from the state based on student enrollment. Student enrollment is blended at 75% of current year September count and 25% of prior year February count. The blended enrollment of Beal City Public Schools for 2007/2008 was 656.16 students a decrease of 17.07 from the 2006/2007 student enrollment of 673.23. The State of Michigan establishes per student foundation allowance on an annual basis. The foundation allowance for the 2007/2008 school year was \$7,204.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Capital Assets and Debt Administration

Capital Assets

On June 30, 2008 the District had \$6,904,029 invested in a broad range of capital assets as illustrated below:

Assets

Land	\$ 187,593
Buildings and additions	7,076,470
Site improvements	1,725,248
Equipment and furniture	631,237
Buses and other vehicles	721,531
Fiber optic network	<u>390,222</u>
Subtotal	10,732,301
Less accumulated depreciation	<u>3,828,272</u>
Net Capital Assets	<u>\$ 6,904,029</u>

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Long-term debt

At the end of the current fiscal year, the Beal City Public School district had total General Obligation Bonded debt outstanding of \$5,195,000. This consists of two bond issues: The 2002 bond issue for the athletic complex, and the 2004 refunding issue of the 1996 issue for the addition to the high school. Other long term debt includes the fiber optic network loan, a capital lease for computer equipment and obligations to repay the school bond loan fund. Repayment of the school bond loan fund will be accomplished as the revenues provided by the debt millage exceed the debt service requirements.

General Fund Budgetary Highlights

Original vs. Actual Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The district amended its budget twice during the 2007/2008 school year. For the fiscal year 2007/2008, the budget was amended in November of 2007 and June of 2008.

General Fund Revenues Budget vs. Actual Revenues

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Variance of final to actual
2007/2008	\$5,484,580	\$5,310,745	\$5,356,625	\$45,880

The District's actual general fund revenues were more than the final budget by \$45,880. The majority of this variance is \$38,430 of special education millage from the RESD. The final payout of special education millage arrives after the final budget amendment is made. For the last two years the RESD had been able to distribute more special education millage dollars than anticipated as the financial results of the Gratiot Isabella RESD Special Education Fund have been better than expected. The RESD does caution us each year when they make the final payment that the increase is not something we should plan on for future years.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

General Fund Expenditures Budget vs. Actual Expenditures

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Variance of final to actual
2007/2008	\$5,491,410	\$5,294,340	\$5,151,356	\$(142,984)

The district's general fund expenditures were less than the final expenditure budget by \$142,984. Tribal grants received from the Saginaw Chippewa Indian Tribe make up a large portion of the discrepancy in budgeted to actual expenditures. Many tribal grants were budgeted for, but not spent in the 2007/2008 fiscal year. Those tribal grant budget items remaining at the end of the 2007/2008 fiscal year will be carried over to the 2008/2009 budget.

Economic Factors and Next Year's Budgets and Rates

The State has set the foundation allowance for the 2008/2009 year at \$7,316 per student for those schools receiving 7,204 for the 2007/2008 year. While proposed legislation calls for an increase in the foundation allowance, state revenues must be sufficient to support the increase or the District may be faced with a per student proration during the 2008/2009 fiscal year.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Mr. William Chilman IV is now starting his second year as the Superintendent of Beal City Public Schools. Mr. Chilman believes the three most important jobs a Superintendent has are to first and for most, improve student achievement. Secondly, during these financially difficult times, maintain the district's fiscal integrity. Third, but not least of all, promote the school district and provide positive school and community relations throughout the Mid-Michigan area.

Mr Chilman's focus as the Superintendent of Beal City Public Schools will be to continue the excellence that Beal City has shown over the years academically and athletically. While focusing on this excellence over the last year Mr. Chilman discovered that there is always room for improvement, even here in Beal City. Bill has started to make a few changes that should help improve student achievement. Two of these changes are secondary reform, which led to the seven period day and elementary reform which should lead to changes in the elementary schedule as well as curriculum and instruction improvements over the next year.

The current contract between the Beal City Board of Education and the Beal City Education Association (BCEA) expires on June 30, 2010. While the agreement includes wage increases for all three years of the contract, it also includes changes in the health insurance provided by the district beginning with the 2008/2009 year which should help curb the ever rising cost of health benefits.

The State required retirement contribution will decrease from 16.72% to 16.54% of employee wages on October 1, 2008. While this decrease may not seem like a significant amount, it is much better than the increases we have experienced in the past.

Final student count numbers for September 2008 have not yet been determined; however, the preliminary numbers indicate a loss of about 10 – 15 students. The budget passed in June 2008 was based on a loss of five students. With the retirement of a veteran teacher this summer, the Title 1 program has experienced some changes. Federal grants continue to dwindle each year and with the loss of the Small Rural Schools Grant, our Title 1 program was not fully funded by Federal program dollars. This year the Title 1 program will have a part time teacher rather than a full time teacher. The teacher assigned to title will also be teaching 1st grade and a part time teacher will teach the 1st graders for the remaining part of the day. Financially this equates to ½ less teaching staff, educationally it equates to revamping the Title 1 program to ensure that the program services all students in need of Title 1 services. The secondary staff has not changed in number. 2008/2009 will be the first year for the seven period day schedule.

The Board of Education is committed to ensuring the financial stability of the school district. As there seems to be no end in sight to the poor economic conditions of the State of Michigan, the Board feels the need to be very cautious with spending. The uncertainty of State funding seems to be an ongoing problem. While the foundation allowance has been set to increase by \$112 per student, history has demonstrated revenues still must be generated to support that foundation allowance or Michigan schools may face a proration of State funding often at the middle or end of the school year. The instability of state funding creates a real challenge to the budget process of Michigan's public schools.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2008**

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the finances for the Beal City Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Beal City Public Schools Central Office, 3117 Elias Drive, Mt. Pleasant, MI 48858

BASIC FINANCIAL STATEMENTS

Beal City Public Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,872,433
Accounts receivable	9,897
Due from other governmental units	846,751
Inventory	8,971
Prepaid items	28,482
Other assets	49,282
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	<u>6,716,436</u>
 Total assets	 <u>9,719,845</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 34,302
Accrued expenditures	185,774
Accrued salaries payable	300,194
Deferred revenue	3,529
Noncurrent liabilities	
Due within one year	373,117
Due in more than one year	<u>6,119,093</u>
Total liabilities	<u>7,016,009</u>
Net Assets	
Invested in capital assets, net of related debt	1,557,614
Restricted for:	
Debt service	112,030
Grants	94,176
Unrestricted	<u>940,016</u>
Total net assets	<u>\$ 2,703,836</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 3,570,238	\$ 32,368	\$ 509,236	\$ 34,000	\$ (2,994,634)
Supporting services	1,855,241	12,067	22,650	-	(1,820,524)
Food services	238,407	116,952	112,584	-	(8,871)
Athletic activities	306,817	61,155	22,000	-	(223,662)
Community services	584	-	-	-	(584)
Interest on long-term debt	259,803	-	-	-	(259,803)
Total governmental activities	<u>\$ 6,231,090</u>	<u>\$ 222,542</u>	<u>\$ 666,470</u>	<u>\$ 34,000</u>	<u>(5,308,078)</u>
General revenues					
Property taxes, levied for general purposes					240,675
Property taxes, levied for debt service					524,715
State aid - unrestricted					4,425,697
Interest and investment earnings					66,625
Gain on sale of capital assets					3,220
Other					<u>19,212</u>
Total general revenues					<u>5,280,144</u>
Change in net assets					(27,934)
Net assets - beginning (restated)					<u>2,731,770</u>
Net assets - ending					<u>\$ 2,703,836</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 1,583,751	\$ 288,682	\$ 1,872,433
Accounts receivable	9,647	250	9,897
Due from other funds	-	20,763	20,763
Due from other governmental units	844,959	1,792	846,751
Inventory	-	8,971	8,971
Prepaid items	28,482	-	28,482
Total assets	<u>\$ 2,466,839</u>	<u>\$ 320,458</u>	<u>\$ 2,787,297</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 32,952	\$ 1,350	\$ 34,302
Due to other funds	20,763	-	20,763
Accrued expenditures	183,825	1,949	185,774
Accrued salaries payable	297,129	3,065	300,194
Deferred revenue	-	3,529	3,529
Total liabilities	<u>534,669</u>	<u>9,893</u>	<u>544,562</u>
Fund Balance			
Reserved for inventory	-	8,971	8,971
Reserved for prepaid items	28,482	-	28,482
Reserved for debt service	-	112,030	112,030
Reserved for capital projects	-	111,272	111,272
Reserved for grants	94,176	-	94,176
Other undesignated	1,809,512	78,292	1,887,804
Total fund balance	<u>1,932,170</u>	<u>310,565</u>	<u>2,242,735</u>
Total liabilities and fund balance	<u>\$ 2,466,839</u>	<u>\$ 320,458</u>	<u>\$ 2,787,297</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
of Governmental Activities
June 30, 2008

Total fund balances for governmental funds	\$ 2,242,735
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	6,716,436
Other long-term assets are not deferred in the governmental funds.	49,282
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(272,556)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(94,775)
Bonds payable	(5,222,887)
School bond loan payable	(716,608)
Other loans payable and liabilities	<u>(185,384)</u>
Net assets of governmental activities	<u>\$ 2,703,836</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 420,583	\$ 733,947	\$ 1,154,530
State sources	4,654,845	13,701	4,668,546
Federal sources	55,656	98,883	154,539
Interdistrict sources	222,321	-	222,321
Total revenues	<u>5,353,405</u>	<u>846,531</u>	<u>6,199,936</u>
Expenditures			
Current			
Education			
Instruction	3,319,576	-	3,319,576
Supporting services	1,711,742	-	1,711,742
Food services	-	231,919	231,919
Athletic activities	-	213,819	213,819
Community services	584	-	584
Capital outlay	67,480	108,229	175,709
Debt service			
Principal	42,688	310,000	352,688
Interest and other expenditures	9,286	210,932	220,218
Total expenditures	<u>5,151,356</u>	<u>1,074,899</u>	<u>6,226,255</u>
Excess (deficiency) of revenues over expenditures	<u>202,049</u>	<u>(228,368)</u>	<u>(26,319)</u>
Other Financing Sources (Uses)			
Proceeds from school bond loan fund	-	10,035	10,035
Proceeds from sale of capital assets	3,220	-	3,220
Transfers in	-	234,925	234,925
Transfers out	(233,475)	(1,450)	(234,925)
Total other financing sources (uses)	<u>(230,255)</u>	<u>243,510</u>	<u>13,255</u>
Net change in fund balance	(28,206)	15,142	(13,064)
Fund balance - beginning	<u>1,960,376</u>	<u>295,423</u>	<u>2,255,799</u>
Fund balance - ending	<u>\$ 1,932,170</u>	<u>\$ 310,565</u>	<u>\$ 2,242,735</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ (13,064)
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(354,665)
Capital outlay	80,083
Sale of capital assets (net book value)	(5,372)

Expenses are recorded when incurred in the statement of activities.

Interest	(39,585)
Compensated absences	(9,660)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued	(10,035)
Repayments of long-term debt	328,307
Amortization refunding issuance costs	<u>(3,943)</u>

Change in net assets of governmental activities	\$ <u>(27,934)</u>
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Beal City Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 1	\$ 75,316
Liabilities		
Due to student groups	-	75,316
Net Assets		
Reserved for scholarships and loans	\$ 1	\$ -

See Accompanying Notes to Financial Statements

Beal City Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
Deductions	
Scholarships	\$ <u>200</u>
Change in net assets	(200)
Net assets - beginning	<u>201</u>
Net assets - ending	<u>\$ 1</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beal City Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. The annual operating deficit generated by these activities is generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. Typically, the fund is kept open until the purpose for which the fund was created has been accomplished. Currently, the fund is used throughout the year for capital outlay purchases.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

General Fund	
Nonhomestead	18.00000
Debt Service Funds	
Homestead and Nonhomestead	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 97% of the School District's tax roll lies within the Townships of Nottawa, Isabella and Deerfield.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Isabella and remitted to the School District by May 15.

Investments – Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of

donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Retiring teachers are paid four (4) percent of the teacher's current annual salary, provided the teacher has been employed in the school district for at least ten (10) years. This liability is measured using the Termination Method.

Sick days are earned by teachers at the rate of ten (10) days per year. A maximum of one hundred eighty-three (183) unused sick days may be accumulated. Upon retirement or termination of employment, unused sick days are paid at 50% of the sub rate up to 100 days. There is no contractual provision for payment of unused personal days. The current portion of any accrued sick or personal pay cannot be reasonably estimated and, as such, is not included as a current liability.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Post employment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current

value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 2 - DEPOSITS

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,872,433	\$ 75,317	\$ 1,947,750

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,947,750
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Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 1,876,508 of the District's bank balance of \$ 1,976,508 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 3 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 187,593	\$ -	\$ -	\$ 187,593
Capital assets being depreciated				
Buildings and additions	7,076,470	-	-	7,076,470
Site improvements	1,725,248	-	-	1,725,248
Equipment and furniture	657,738	10,973	37,474	631,237
Fiber optic network	390,222	-	-	390,222
Buses and other vehicles	<u>749,289</u>	<u>69,110</u>	<u>96,868</u>	<u>721,531</u>
Total capital assets being depreciated	10,598,967	80,083	134,342	10,544,708
Less accumulated depreciation for				
Buildings and additions	2,139,378	150,524	-	2,289,902
Site improvements	345,995	86,263	-	432,258
Equipment and furniture	397,075	33,675	32,104	398,646
Fiber optic network	185,354	19,511	-	204,865
Buses and other vehicles	534,775	64,692	96,866	502,601
Total accumulated depreciation	3,602,577	354,665	128,970	3,828,272
Net capital assets being depreciated	<u>6,996,390</u>	<u>(274,582)</u>	<u>5,372</u>	<u>6,716,436</u>
Net capital assets	<u>\$ 7,183,983</u>	<u>\$ (274,582)</u>	<u>\$ 5,372</u>	<u>\$ 6,904,029</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 171,947
Support services	92,587
Food services	2,153
Athletic activities	<u>87,978</u>
Total governmental activities	<u>\$ 354,665</u>

NOTE 4 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General	Food Service	\$ 20,763

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, totaling \$ 234,925. A transfer was made of \$ 133,475 between the General Fund and the Athletic Fund to cover the costs of the School District's programs that were in excess of revenues generated from those activities. Transfers were made between the General Fund and the Capital Projects Fund, and between Debt Service Funds totaling \$ 101,450.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 5 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Student deposits	<u>\$ 3,529</u>

NOTE 6 – LEASES

Capital Leases

The School District has a capital lease for computer equipment with Kinetic Leasing, Inc. The future minimum lease payments are as follows:

Year ending June 30,	
2009	<u>13,390</u>
Total minimum lease payments	13,390
Less amount representing interest	<u>816</u>
Present value of minimum lease payments	<u>\$ 12,574</u>
Assets	
Machinery and equipment	<u>\$ 37,771</u>

The leased computer equipment was not added to the capital asset schedule because the cost of the individual items was below the capitalization policy.

LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 5,505,000	\$ -	\$ 310,000	\$ 5,195,000	\$ 325,000
Durant bonds	27,887	-	-	27,887	16,061
School bond loan	706,573	10,035	-	716,608	-
Capital lease	24,381	-	11,807	12,574	-
Fiber optic network loan	203,691	-	30,881	172,810	32,056
Compensated absences	85,115	9,660	-	94,775	-
Deferred issuance costs	<u>(53,225)</u>	<u>-</u>	<u>(3,943)</u>	<u>(49,282)</u>	<u>-</u>
Total	<u>\$ 6,499,422</u>	<u>\$ 19,695</u>	<u>\$ 348,745</u>	<u>\$ 6,170,372</u>	<u>\$ 373,117</u>

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

General obligation bonds payable at year end, consists of the following:

\$1,690,000 serial bond due in annual installments of \$50,000 to \$80,000 through May 1, 2027, interest at 4.50% to 5.1%.	\$ 1,405,000
\$4,570,000 serial bond due in annual installments of \$260,000 to \$305,000 through May 1, 2021, interest at 2.5% to 4.1%.	<u>3,790,000</u>
Total general obligation bonded debt	<u>\$ 5,195,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 325,000	\$ 202,688	\$ 527,688
2010	335,000	193,512	528,512
2011	345,000	182,712	527,712
2012	360,000	171,387	531,387
2013	370,000	157,975	527,975
2014-2018	1,875,000	578,225	2,453,225
2019-2023	1,265,000	211,657	1,476,657
2024-2027	<u>320,000</u>	<u>40,800</u>	<u>360,800</u>
Total	<u>\$ 5,195,000</u>	<u>\$ 1,738,956</u>	<u>\$ 6,933,956</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$ 112,030 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$47,228 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 27,887</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 16,061	\$ 6,223	\$ 22,284
2010	2,753	563	3,316
2011	2,885	431	3,316
2012	3,022	294	3,316
2013	<u>3,166</u>	<u>450</u>	<u>3,616</u>
Total	<u>\$ 27,887</u>	<u>\$ 7,961</u>	<u>\$ 35,848</u>

Fiber Optic Network Loan

In 1998, a consortium of schools formed the Middle Michigan Network for Educational Telecommunications (MMNET). The goal was to create an educational network that would provide the members with services that would be otherwise unattainable. High speed internet, voice over IP and interactive television were a few of the services. The group, under the consultation of a company called ISP, constructed a fiber optic network that links all of the members together.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

Future loan requirements are as follows:

Year Ending June 30,		
2009	\$	32,056
2010		33,261
2011		34,516
2012		35,812
2013		<u>37,165</u>
Total	\$	<u>172,810</u>

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$ 10,035 and had an outstanding balance at year end of \$ 716,608, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consists of \$ 62,862 of termination pay and \$ 31,913 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$ 5,560 of unemployment compensation expense for the year. No provision has been made for possible future claims.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72 - 17.74%	16.34 - 17.74%	14.87-16.34%
Total payroll	3,011,926	2,976,617	2,991,355
Total covered payroll	2,862,374	2,833,968	2,929,452
School contributions	484,714	488,035	465,786
Employee MIP contributions	99,979	97,061	97,734
Portion of school contribution covering health, dental and vision benefits	39%	37%	40%

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Beal City Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The June 30, 2007 financials statements did not include \$6,473 of debt for the Fiber Optic Network loan. This omission caused the net assets on the District Wide statements to be overstated by \$6,473. The net assets at July 1, 2007 were restated to correct this omission.

Net assets – beginning of year	\$ 2,738,243
Correction for debt omitted	<u>(6,473)</u>
Net assets – beginning of year (restated)	<u>\$ 2,731,770</u>

REQUIRED SUPPLEMENTAL INFORMATION

Beal City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 495,400	\$ 403,873	\$ 420,583	\$ 16,710
State sources	4,671,280	4,651,028	4,654,845	3,817
Federal sources	90,470	66,029	55,656	(10,373)
Interdistrict sources	227,430	189,815	222,321	32,506
Total revenues	5,484,580	5,310,745	5,353,405	42,660
Expenditures				
Instruction				
Basic programs	2,871,130	2,705,958	2,659,625	(46,333)
Added needs	587,420	557,474	551,044	(6,430)
Adult and continuing education	126,520	109,233	108,907	(326)
Supporting services				
Pupil	119,320	111,176	111,061	(115)
Instructional staff	126,210	123,747	120,602	(3,145)
General administration	185,880	169,597	169,146	(451)
School administration	312,630	313,241	309,819	(3,422)
Business	127,720	123,611	123,088	(523)
Operations and maintenance	513,110	430,669	417,153	(13,516)
Pupil transportation services	362,160	356,143	348,216	(7,927)
Central	128,130	114,326	112,657	(1,669)
Community services	3,860	1,673	584	(1,089)
Capital outlay	27,320	119,885	67,480	(52,405)
Debt service				
Principal	-	47,607	42,688	(4,919)
Interest and fiscal charges	-	10,000	9,286	(714)
Total expenditures	5,491,410	5,294,340	5,151,356	(142,984)
Excess (deficiency) of revenues over expenditures	(6,830)	16,405	202,049	185,644

Beal City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	3,220	3,220
Transfers out	<u>(245,000)</u>	<u>(238,000)</u>	<u>(233,475)</u>	<u>(4,525)</u>
Total other financing sources (uses)	<u>(245,000)</u>	<u>(238,000)</u>	<u>(230,255)</u>	<u>(1,305)</u>
Net change in fund balance	(251,830)	(221,595)	(28,206)	184,339
Fund balance - beginning	<u>1,960,376</u>	<u>1,960,376</u>	<u>1,960,376</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,708,546</u>	<u>\$ 1,738,781</u>	<u>\$ 1,932,170</u>	<u>\$ 184,339</u>

OTHER SUPPLEMENTAL INFORMATION

Beal City Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>2002</u>	<u>2004</u>	<u>Public Improvement</u>	
Assets						
Cash	\$ 39,715	\$ 24,315	\$ 40,788	\$ 71,242	\$ 112,622	\$ 288,682
Accounts receivable	-	250	-	-	-	250
Due from other funds	20,763	-	-	-	-	20,763
Due from other governmental units	1,792	-	-	-	-	1,792
Inventory	8,971	-	-	-	-	8,971
Total assets	<u>\$ 71,241</u>	<u>\$ 24,565</u>	<u>\$ 40,788</u>	<u>\$ 71,242</u>	<u>\$ 112,622</u>	<u>\$ 320,458</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,350	\$ 1,350
Accrued expenditures	1,949	-	-	-	-	1,949
Accrued salaries payable	3,065	-	-	-	-	3,065
Deferred revenue	3,529	-	-	-	-	3,529
Total liabilities	<u>8,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>9,893</u>
Fund Balance						
Reserved for inventory	8,971	-	-	-	-	8,971
Reserved for debt service	-	-	40,788	71,242	-	112,030
Reserved for capital projects	-	-	-	-	111,272	111,272
Other undesignated	53,727	24,565	-	-	-	78,292
Total fund balance	<u>62,698</u>	<u>24,565</u>	<u>40,788</u>	<u>71,242</u>	<u>111,272</u>	<u>310,565</u>
Total liabilities and fund balance	<u>\$ 71,241</u>	<u>\$ 24,565</u>	<u>\$ 40,788</u>	<u>\$ 71,242</u>	<u>\$ 112,622</u>	<u>\$ 320,458</u>

Beal City Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>2002</u>	<u>2004</u>	<u>Public Improvement</u>	
Revenues						
Local sources	\$ 119,638	\$ 84,033	\$ 126,766	\$ 401,795	\$ 1,715	\$ 733,947
State sources	13,701	-	-	-	-	13,701
Federal sources	98,883	-	-	-	-	98,883
Total revenues	<u>232,222</u>	<u>84,033</u>	<u>126,766</u>	<u>401,795</u>	<u>1,715</u>	<u>846,531</u>
Expenditures						
Current						
Education						
Food services	231,919	-	-	-	-	231,919
Athletic activities	-	213,819	-	-	-	213,819
Capital outlay	4,335	5,020	-	-	98,874	108,229
Debt service						
Principal	-	-	50,000	260,000	-	310,000
Interest and other expenditures	-	-	70,269	140,663	-	210,932
Total expenditures	<u>236,254</u>	<u>218,839</u>	<u>120,269</u>	<u>400,663</u>	<u>98,874</u>	<u>1,074,899</u>
Deficiency of revenues over expenditures	<u>(4,032)</u>	<u>(134,806)</u>	<u>6,497</u>	<u>1,132</u>	<u>(97,159)</u>	<u>(228,368)</u>
Other Financing Sources (Uses)						
Proceeds from school bond loan fund	-	-	-	10,035	-	10,035
Transfers in	-	133,475	1,450	-	100,000	234,925
Transfers out	-	-	-	(1,450)	-	(1,450)
Total other financing sources (uses)	<u>-</u>	<u>133,475</u>	<u>1,450</u>	<u>8,585</u>	<u>100,000</u>	<u>243,510</u>
Net change in fund balance	(4,032)	(1,331)	7,947	9,717	2,841	15,142
Fund balance - beginning	<u>66,730</u>	<u>25,896</u>	<u>32,841</u>	<u>61,525</u>	<u>108,431</u>	<u>295,423</u>
Fund balance - ending	<u>\$ 62,698</u>	<u>\$ 24,565</u>	<u>\$ 40,788</u>	<u>\$ 71,242</u>	<u>\$ 111,272</u>	<u>\$ 310,565</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2008

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 1,583,751	\$ 1,609,833
Accounts receivable	9,647	14,318
Due from other governmental units	844,959	774,361
Interest receivable	-	22,234
Prepaid items	<u>28,482</u>	<u>57,934</u>
 Total assets	 <u>\$ 2,466,839</u>	 <u>\$ 2,478,680</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 32,952	\$ 46,234
Due to other funds	20,763	8,266
Accrued expenditures	183,825	176,224
Accrued salaries payable	<u>297,129</u>	<u>287,580</u>
 Total liabilities	 <u>534,669</u>	 <u>518,304</u>
 Fund Balance		
Reserved for prepaid items	28,482	57,934
Reserved for grants	94,176	103,981
Other undesignated	<u>1,809,512</u>	<u>1,798,461</u>
 Total fund balance	 <u>1,932,170</u>	 <u>1,960,376</u>
 Total liabilities and fund balance	 <u>\$ 2,466,839</u>	 <u>\$ 2,478,680</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues
For the Year Ended June 30, 2008

Revenue from local sources

Property tax levy	\$ 240,675
Tuition	32,368
Transportation fees	12,067
Earnings on investments	58,683
Other local revenues	<u>76,790</u>

Total revenues from local sources	<u>420,583</u>
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Revenues from state sources

Grants - unrestricted	4,425,697
Grants - restricted	<u>229,148</u>

Total revenues from state sources	<u>4,654,845</u>
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Revenues from federal sources

Grants	<u>55,656</u>
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Interdistrict sources

ISD collected millage	210,025
Other	<u>12,296</u>

Total interdistrict sources	<u>222,321</u>
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Other financing sources

Proceeds from sale of capital assets	<u>3,220</u>
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Total revenue and other financing sources	<u>\$ 5,356,625</u>
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Basic program - elementary

Salaries	\$ 845,061
Employee benefits	413,670
Purchased services	9,919
Supplies and materials	24,242
Other	<u>129</u>
Total elementary	<u>1,293,021</u>

Basic program - high school

Salaries	791,686
Employee benefits	402,028
Purchased services	34,404
Supplies and materials	41,402
Other	<u>343</u>
Total high school	<u>1,269,863</u>

Basic program - pre-school

Salaries	65,962
Employee benefits	30,704
Purchased services	23
Supplies and materials	<u>52</u>
Total pre-school	<u>96,741</u>

Added needs - special education

Salaries	197,062
Employee benefits	76,616
Purchased services	599
Supplies and materials	<u>2,240</u>
Total special education	<u>276,517</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Added needs - compensatory education

Salaries	\$ 64,375
Employee benefits	34,027
Supplies and materials	<u>1,528</u>
Total compensatory education	<u>99,930</u>

Added needs - career and technical education

Salaries	22,463
Employee benefits	12,465
Supplies and materials	747
Other	<u>138,922</u>
Total career and technical education	<u>174,597</u>

Adult and continuing education - basic

Salaries	59,336
Employee benefits	17,933
Purchased services	182
Supplies and materials	<u>31,456</u>
Total basic	<u>108,907</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Pupil - guidance services

Salaries	\$ 71,592
Employee benefits	37,792
Other	<u>6</u>
Total guidance services	<u>109,390</u>

Pupil - other support services

Salaries	810
Employee benefits	200
Other	<u>661</u>
Total other pupil support services	<u>1,671</u>

Instructional staff - improvement of education

Salaries	7,230
Employee benefits	1,927
Purchased services	10,941
Supplies and materials	<u>132</u>
Total improvement of education	<u>20,230</u>

Instructional staff - educational media services

Salaries	59,238
Employee benefits	28,106
Purchased services	3,465
Supplies and materials	<u>6,618</u>
Total educational media services	<u>97,427</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Instructional staff - academic student assessment

Supplies and materials	\$ <u>2,945</u>
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General administration - board of education

Purchased services	23,638
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Supplies and materials	40
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Other	<u>11,499</u>
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Total board of education	<u>35,177</u>
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General administration - executive administration

Salaries	96,388
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Employee benefits	33,274
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Purchased services	1,940
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Supplies and materials	2,012
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Other	<u>355</u>
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Total executive administration	<u>133,969</u>
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School administration - office of the principal

Salaries	195,415
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Employee benefits	102,999
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Purchased services	3,329
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Supplies and materials	3,655
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Other	<u>3,639</u>
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Total office of the principal	<u>309,037</u>
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School administration - other

Supplies and materials	<u>782</u>
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Business - fiscal services

Salaries	\$ 63,223
Employee benefits	40,994
Purchased services	1,242
Supplies and materials	198
Other	<u>290</u>
Total fiscal services	<u>105,947</u>

Business - other

Purchased services	8,244
Other	<u>8,897</u>
Total other business	<u>17,141</u>

Operations and maintenance - operating building services

Salaries	140,810
Employee benefits	63,739
Purchased services	113,074
Supplies and materials	<u>99,530</u>
Total operating building services	<u>417,153</u>

Pupil transportation services

Salaries	99,419
Employee benefits	150,058
Purchased services	70,008
Supplies and materials	28,560
Other	<u>171</u>
Total transportation services	<u>348,216</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Central - communication services

Purchased services	\$ 13,816
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Central - staff/personnel services

Purchased services	6,835
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Other	<u>2,797</u>
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Total staff/personnel services	<u>9,632</u>
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Central - support services technology

Salaries	54,268
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Employee benefits	27,896
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Purchased services	6,092
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Supplies and materials	700
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Other	<u>253</u>
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Total support services technology	<u>89,209</u>
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Community services - non-public school pupils

Purchased services	<u>584</u>
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Total non-public school pupils	<u>584</u>
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

Capital outlay

Basic program - elementary	\$ 15,391
Basic program - high school	19,688
Basic program - pre-school	1,326
Added needs - special education	3,978
Added needs - career and technical education	888
Adult and continuing education - basic	1,509
Pupil - guidance services	208
Instructional staff - educational media services	15,242
General administration - executive administration	1,108
School administration - office of the principal	660
Operations and maintenance - operating building services	3,508
Pupil transportation services	115
Central - support services technology	<u>3,859</u>
Total capital outlay	<u>67,480</u>

Debt service

Principal	42,688
Interest and other expenditures	<u>9,286</u>
Total debt service	<u>51,974</u>

Other financing uses

Transfers out	<u>233,475</u>
Total expenditures and financing uses	<u>\$ 5,384,831</u>

Beal City Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Athletic account	\$ 3,420	\$ 1,226	\$ 1,908	\$ 2,738
Band	223	8,589	8,515	297
Baseball	1,176	4,218	4,888	506
Basketball - Boys	2,232	3,972	4,614	1,590
Basketball - Girls	5,718	3,334	4,830	4,222
B.P.A.	790	-	-	790
Camp	8,821	18,655	20,723	6,753
Cheerleading	705	256	961	-
Class of 1992	75	-	-	75
Class of 2000	341	-	-	341
Class of 2001	301	-	-	301
Class of 2003	54	-	-	54
Class of 2005	663	-	-	663
Class of 2007	2,123	-	70	2,053
Class of 2008	1,360	219	1,329	250
Class of 2009	2,021	1,524	2,741	804
Class of 2010	1,797	413	171	2,039
Class of 2011	1,981	349	60	2,270
Class of 2012	1,346	1,118	482	1,982
Class of 2013	-	651	-	651
Close up	(58)	68	-	10
Cross country	842	126	187	781
Drama	1,948	2,501	809	3,640
Miscellaneous - elementary	8,474	4,675	9,007	4,142
Elementary teachers account	11,235	6,946	8,696	9,485
Football	483	830	2,665	(1,352)
FFA	1,776	6,290	7,610	456
Ignition wrestling	150	-	-	150

Beal City Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Key account	200	100	200	100
Media center	2,071	265	984	1,352
Media services	-	210	-	210
National honor society	2,186	3,425	3,508	2,103
Natural helpers	305	-	-	305
Parent Advisory	62	-	-	62
Principal	6,746	6,895	8,069	5,572
Project Pals	2,673	176	1,153	1,696
SCA	2,870	-	-	2,870
Softball	1,683	-	400	1,283
Student council	2,793	4,436	4,861	2,368
Tempo club	7,156	22,246	28,922	480
Track - men's	1,590	63	1,053	600
Track - women's	1,704	1,038	1,594	1,148
Volleyball	2,885	238	1,573	1,550
Wrestling	3,279	-	-	3,279
Yearbook	4,428	12,921	12,774	4,575
Youth in government	72	5,840	5,840	72
Total	<u>\$ 102,700</u>	<u>\$ 123,813</u>	<u>\$ 151,197</u>	<u>\$ 75,316</u>

Beal City Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2008

Year Ending June 30,	2002	2004	Durant	Total
2009	\$ 60,000	\$ 265,000	\$ 16,061	\$ 341,061
2010	60,000	275,000	2,753	337,753
2011	65,000	280,000	2,885	347,885
2012	65,000	295,000	3,022	363,022
2013	65,000	305,000	3,166	373,166
2014	75,000	300,000	-	375,000
2015	75,000	300,000	-	375,000
2016	75,000	300,000	-	375,000
2017	75,000	300,000	-	375,000
2018	75,000	300,000	-	375,000
2019	75,000	295,000	-	370,000
2020	80,000	290,000	-	370,000
2021	80,000	285,000	-	365,000
2022	80,000	-	-	80,000
2023	80,000	-	-	80,000
2024	80,000	-	-	80,000
2025	80,000	-	-	80,000
2026	80,000	-	-	80,000
2027	80,000	-	-	80,000
Total	\$ 1,405,000	\$ 3,790,000	\$ 27,887	\$ 5,222,887

Principal payments
due the first day of

May

May

May 15th

Interest payments
due the first day of

May and
November

May and
November

May 15th

Interest rate

4.25% - 5.10%

2.5% - 4.10%

4.761353%

Original issue

\$ 1,690,000

\$ 4,570,000

\$ 47,228

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Members of the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Beal City Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beal City Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Beal City Public Schools internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beal City Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
October 1, 2008